

## Message Text

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ACTION EB-07

INFO OCT-01 EA-06 IO-10 ISO-00 AF-06 ARA-06 EUR-12 NEA-10

OIC-02 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

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FM USMISSION GENEVA

TO SECSTATE WASHDC 4357

INFO AMEMBASSY CANBERRA

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EO: 11652: N/A

TAGS: GATT ETRD AS

SUBJ: GATT ARTICLE XIX CONSULTATIONS WITH AUSTRALIA ON STEEL  
SHEET AND PLATE

REF: A. STATE 152128; B. TPSC 75-11; C. CANBERRA 4186

BEGIN SUMMARY: AUSTRALIA EXPECTS MAINTAIN QRS AT LEAST UNTIL  
MARCH, 1976. NO AGREEMENT YET REACHED ON PRINCIPLE OF COMPENSA-  
TION. END SUMMARY.

1. SURING JULY 2 GATT ARTICLE XIX CONSULTATIONS ON AUSTRALIAN  
STEEL SHEET AND PLATE IMPORT RESTRICTIONS, WE PRESSED FOR EARLY  
REMOVAL OF QUOTAS, PREFERABLY AT LATEST BY END 1975. AUSTRALIA  
(TEESE FROM GENEVA MISSION AND MCMAHON OF DEPT. OF MANUFACTURING  
INDUSTRIES, CANBERRA) SAID INDUSTRY ASSISTANCE COMMISSION REPORT  
ON BASIC STEEL, INCLUDING ITEMS AFFECTED BY QRS WILL NOT BE AVAIL-  
ABLE UNTIL MARCH, 1976 AT EARLIEST. GOA NOT BOUND TO AWAIT RE-  
SULTS OF STUDY BUT LIKELY WILL. BY SAME TOKEN, GOA NOT ABSOLUT-  
ELY BOUND TO FOLLOW RECOMMENDATIONS IN FINAL REPORT.

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2. IN LENGTHY DISCUSSION ON ECONOMIC JUSTIFICATION FOR QUOTAS, AUSTRALIA ADMITTED LYSAGHT EMPLOYMENT HAD NOT DECLINED BUT ADDED THAT 1,000 OF TOTAL 7,000 EMPLOYEES IN BOTH PLANTS WERE ON VERGE OF BEING LAID OFF BEFORE IMPOSITION QRS. PROFIT RATES (UNSPECIFIED) HAVE BEEN BELOW AUSTRALIAN AVERAGE FOR MANUFACTURING INDUSTRIES FOR FOUR YEARS, BUT THEY UNABLE SUPPLY INFO ON RECENT TRENDS. CAPACITY ADDITION WAS MADE IN 1972-73; IN 1974 PRODUCTION WAS ONLY 30 PERCENT OF CAPACITY. LYSAGHT'S OTHER PRODUCTS, SUCH AS GALVANIZED SHEET, ARE NOT IN DIFFICULTY. AUSTRALIA CITED GROWTH IN IMPORT SHARE FROM 17 TO 35 PERCENT OF MARKET DURING 1971-74.

3. WE NOTED THAT SPATE OF BY-LAW IMPORTS IN 1974 WOULD TEND CAST DOUBT ON "UNFORSEEN" NATURE OF IMPORT PROBLEM. AUSTRALIA SAID IMPORTS GREW BY 70 PERCENT BY WEIGHT IN 1973 AND ANOTHER 50 PERCENT IN 1974 BECAUSE OF WELL-KNOWN SUPPLY SHORTAGES, WHICH WERE WORLD-WIDE. THEN SUDDENNESS OF SAGGING DEMAND IN 1974 CAUGHT INDUSTRY BY SURPRISE. WE ASKED WHETHER THIS AND OTHER RESTRICTIONS WERE FORM OF MFN RETALIATION AGAINST JAPAN AND EC FOR SHUTTING OFF MEAT MARKETS; THEY SAID THERE NO DIRECT LINK BUT MEAT ACTIONS MADE IT HARDER TO RESIST CALLS FOR HELP IN INDUSTRIES WHICH WOULD HAVE REQUIRED RELIEF ANYWAY.

4. ON PROSPECTS FOR AUSTRALIAN STEEL SHEET INDUSTRY TO COMPETE WITHOUT PROTECTION, AUSTRALIA SAID THEY DOUBTED INDUSTRY WOULD TRY TO COMPETE ENTIRELY WITHOUT PROTECTION BUT LONG-TERM USE OF QRS NOT COMTEMPLATED. EXTENT OF PROTECTION IN "STEEL" INDUSTRY, THEY FELT, WOULD BE GOVERNED BY LONG-TERM RATIONALIZATION OF WHICH ITEMS TO KEEP IN PRODUCTION. THEY EMPHASIZED THAT AT LEAST THE CURRENT TEMPORARY AUTHORITY FOR QUOTAS WILL EXPIRE THREE MONTHS AFTER INDUSTRY ASSISTANCE COMMISSION REPORT IS RELEASED. THEY EXPECT LYSAGHT BE ABLE COMPETE WITHOUT QRS "WITHIN TWO OR THREE YEARS," ALTHOUGH THIS ONLY A GUESS WHICH SHOULD NOT PRE-JUDGE REPORT.

5. WE NOTED THERE CONFUSION OVER WHETHER QRS INTENDED LIMIT ANNUAL IMPORTS TO 25 PERCENT OR 50 PERCENT OF 1972-73 ANNUAL AVERAGE; THEY SAID CONFUSION LIKELY GREW FROM WORDING IN TEMPORARY ASSISTANCE AUTHORITY REPORT OF 12 FEBRUARY, 1975 (P.24, ITEM (2)), WHICH SAID ANNUAL QUOTA FOR EACH IMPORTER ON WEIGHT BASIS WILL BE LIMITED OFFICIAL USE

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25 PERCENT OF IMPORTS EFFECTED DURING 1972 AND 1973. WE SAID THIS SEEMED STRANGE WAY OF EXPRESSING CONCEPT OF ARITHMETIC MEAN; THEY SAID 50 PERCENT WAS DEFINITELY THE CORRECT FIGURE. USING FIGURES IN PARA 8 REFTTEL (C), WE SAID TRADE APPEARED HEADED FOR TOTAL SHUTOFF. AUSTRALIA SAID THEY EXPECT 1975 QUOTA OF 65,000 TONS TO BE FULLY USED, BASED ON DISCUSSIONS WITH TRADE. MOST WILL COME FROM JAPAN. HOWEVER, DEMAND IS SLACK AND THEY CANNOT FORCE USERS TO IMPORT. THEY THOUGHT HEAVY JANUARY IMPORTS

MIGHT HAVE RESULTED FROM SPECULATIVE STOCKING IN ANTICIPATION OF RESTRICTIONS. SLACK IMPORTS FROM FEBRUARY ON MAY BE DUE TO EFFECT OF EXCESS STOCKS, WHICH HAD TOTALED OVER 70,000 TONS AT END '74. THEY ADDED THERE ABSOLUTE FREEDOM ON OPERATION OF QUOTAS.

6. WE SAID U.S. WOULD EXPECT COMPENSATION ON BASIS TOTAL LENGTH OF TIME QUOTAS IN EFFECT, THEREFORE URGED EARLY END TO QUOTAS TO LIMIT SCOPE OF COMPENSATION ISSUE. AUSTRALIA SAID THEY FEEL COMPENSATION NOT IMPLICIT IN GATT ART. XIX, ALTHOUGH RETALIATION IS. THEY SAID THIS VIEW HELD PARTLY BECAUSE TEMPORARY COMPENSATION FOR TEMPORARY ACTIONS IS COMPLICATED. WE SAID U.S. FULLY AGREED THAT RETALIATION WAS PERMITTED BUT HAS LONG TAKEN VIEW THAT COMPENSATION IS PREFERRED MEANS OF SETTLING ART. XIX ISSUES AND HAS FOUND IT POSSIBLE IN PAST DEALINGS WITH CANADA, JAPAN, OTHERS TO ARRANGE TEMPORARY COMPENSATION. (NOTE: JAPAN TOLD US THEY NOT SEEKING COMPENSATION, LEST QRS BECOME PERMANENT.)

7. WITH REGARD XIX: 3(A) TIME LIMIT, AUSTRALIA SAID THEY ASSUMED THERE NO DIFFICULTY WITH EXTENSION BUT WOULD HAVE TO CHECK WITH CANBERRA RE LENGTH OF EXTENSION. (NOTE: AUSTRALIA AND JAPAN HAVE AGREED THAT 90-DAY PERIOD IN XIX:3 RUNS AS FROM 13 JUNE 1975.) WITH RESPECT BASE YEARS USED TO DETERMINE IMPAIRMENT, WE INDICATED 1972-73 DID NOT INCLUDE MUCH U.S. TRADE, WHICH GREW IN 1974. WE THEREFORE WOULD SIMPLY RESERVE ON QUESTION OF BASE YEARS AT THIS POINT.DALE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, TRADE DATA, NEGOTIATIONS  
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**Draft Date:** 07 JUL 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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